

FISCAL NOTE

Bill #: HB0648 **Title:** Incentive for employers insured by state fund to provide smoke-free workplace

Primary Sponsor: Mcalpin, D **Status:** As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Other	\$125,785	\$93,785
Revenue:		
General Fund	\$0	\$0
Other	\$125,785	\$93,785
Net Impact on General Fund Balance:	\$0	\$0

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|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Montana State Fund

1. This bill is applicable only to the Montana State Fund general dividend provided under 39-71-2316(1)(h), MCA.
2. In FY 2004, the dividend declared by the Board of Directors was \$2 million and was distributed to 11,803 policyholders. In prior years, State Fund has issued dividends to as many as 17,000 policyholders.
3. In FY 2004, the total number of policyholders potentially eligible and reviewed for the applicable dividend year was 25,027.
4. In FY 2004, Montana State Fund distributed dividends to 47 percent of total policyholders. Therefore, approximately only 47 percent of State Fund policyholders would be eligible for the additional dividend identified.
5. Not all Montana State Fund policies are eligible for a dividend as the determination of eligibility includes,
 - o Loss experience of the account
 - o Size of the account
 - o Amount of dividend calculated must exceed \$10.

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(continued)

6. Assuming 11,800 policies would be eligible for an additional 10 percent, the following costs would be incurred by MSF,
 - o Paper, envelopes, and labor to mail 11,800 smoke free certification forms to those eligible \$1,400 annually.
 - o Cost of postage to mail and then receive returned mail of certification. Bulk postage is \$0.279 per piece of mail, 11,800 pieces of mail, plus return postage, total expense \$6,585. This would be an annual expense.
7. Cost to visit and audit a sample of policies under the program each year to ensure proper compliance. State Fund would audit all policyholders once every five years.
 - o 20 percent of accounts – 2,360 audits annually.
 - o Assume an average of two hours for each audit including travel time for a total of 4,720 hours.
 - o Audit will require 2.00 FTE.
 - o FTE annual personal services expense is estimated to be \$75,800, \$37,900 for each FTE.
 - o \$32,000 for two vehicles to be purchased in FY 2006, one for each auditor.
 - o These positions will be required to travel throughout Montana visiting policyholder worksites. Estimated travel cost is \$10,000 annually, \$5,000 per auditor for fuel, meals, and lodging.
8. Cost incurred by the Montana State Fund to establish and maintain smoke free work places will be included as expense as the State Fund must be “neither more nor less than self-supporting”, 39-71-2316(1)(e), MCA. Montana State Fund will adjust rates with policyholders to cover the costs to administer the requirements of this bill.

FISCAL IMPACT:

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE	2.00	2.00

Expenditures:

Personal Services	\$75,800	\$75,800
Operating Expenses	17,985	17,985
Equipment	<u>32,000</u>	<u>0</u>
TOTAL	\$125,785	\$93,785

Funding of Expenditures:

Other – Proprietary (06)	\$125,785	\$93,785
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Revenues:

Other – Proprietary (06)	\$125,785	\$93,785
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

Other – Proprietary (06)	\$0	\$0
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TECHNICAL NOTES:

1. The language as written creates what is likely to be a mathematically infeasible requirement depending on the proportion of dividend going to smoke free policyholders versus non-smoke-free policyholders. Should the additional 10 percent dividend for smoke free policyholders be more than the 10 percent reduction in the dividend to non smoke free policyholders there will not be enough funds available to provide the 10 percent increase in dividend.